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COMMISSION ON TRANSNATIONAL CORPORATIONS
Intergovernmental Working Group of
Experts on International Standards
of Accounting and Reporting
Tenth session
5-13 March 1992
Agenda item 5

ADOPTION OF THE REPORT OF THE GROUP ON ITS TENTH SESSION

Draft report

Addendum

Rapporteur: L. Nelson CARVALHO (Brazil)

II. PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

A. Review of important current developments at the global level in the field of accounting and reporting by transnational corporations

1. At its 1st and 2nd meetings, on 5 March 1992, the Group discussed the report of the Secretary-General on important current developments at the global level in the field of accounting and reporting by transnational corporations (E/C.10/AC.3/1992/2). It found that the report was comprehensive in scope and contained useful information. Regarding the continuing negotiations on the General Agreement on Trade in Services (GATS) several experts said that it would be desirable, given the governmental nature of the Group and the fact that it was an expert group on accounting, that it formulate its views on the content of the protocol on professional services.

2. In the context of some recent failures of transnational corporations, in particular banks, there were two areas of concern: (a) the deficiencies in information disclosure regarding bank structure and related party transactions; and (b) responsibilities, appointment and rotation of auditors.

There was support for the proposal that the Transnational Corporations and Management Division conduct a review of the adequacy of accounting and auditing standards for financial institutions. A discussion by the Group and the formulation of conclusions might contribute to improving public confidence in those institutions.

3. The Group was informed that the standard-setting bodies in the countries of the proposed North American Free Trade Agreement were contemplating a joint study to identify the differences in the accounting standards and practices of the three countries and the extent to which those differences could be eliminated. In South America, Argentina, Brazil, Paraguay and Uruguay had formed a common market "MERCOSUR" and preliminary steps had been taken to harmonize accounting standards.

4. It was mentioned that the existence of the Preferential Trade Area in Eastern and Central Africa had highlighted the need to harmonize accounting standards. The Eastern, Central and Southern Africa Federation of Accountants (ECSAFA), a regional accounting association, was turning its attention to that matter. In that context the regional association could benefit greatly from increased links with the Group and it would be useful to see what links could be established. The experts from Brazil, Jordan, Morocco and Thailand also mentioned their regional associations, namely the Interamerican Accounting Association (IAA), the Arab Society of Certified Accountants (ASCA), the Maghreb Accounting Committee, the ASEAN Federation of Accountants and the South Asia Federation of Accountants. They described their activities, particularly in the area of harmonization of accounting standards. For example, ASCA was planning a joint conference with the Division in November 1992 to discuss standard-setting in the Arab world. The Group was further informed that during the recent annual conference of IAA, the Chairperson of the ninth session of the Group had discussed the possibility of having IAA participate in the Group's sessions.

5. The expert from Switzerland expressed the opinion that the report could be improved by including the reason why transnational corporations in his country were using international accounting standards. Since the national accounting rules were confined to the essentials, the international accounting standards offered additional guidance in certain areas. In his opinion, it was important to note that liberal accounting environments could favour the development and use of international accounting standards.

6. A number of countries in transition said that the report contained a wealth of information and that it allowed authorities in their countries to more easily follow developments in the field of international accounting. The section of the report on Central and Eastern Europe was highly instructive. The expert from the Russian Federation informed the Group that his country had adopted a revised chart of accounts in December 1991 that took into consideration some international accounting standards. That work had relied on an international task force organized by the former United Nations Centre on Transnational Corporations and the former Ministry of Finance. One expert called for a more detailed and technical analysis of the actual changes in the

Central and Eastern Europe in the 1993 global review. It would be useful to know about the direction of the change in those countries. In that regard, one expert said that it would be helpful to analyse the comparability of the new standards and what remained to be done. Another expert expressed reservations in that connection and stated that such reviews of national developments should not be critical. There was general agreement in the Group that reviews should be factual and constructive. An expert from a developing country said that if the Group noted that an accounting system did not facilitate the development of a country, its constructive criticism could support efforts for improvement.

7. The observer for the Fédération internationale des experts-comptables francophones (FIDEF) said that wider participation of developing countries in international standard-setting was needed since it was in their interest to solve accounting problems in an international context that respected their sovereignty. In that regard, the United Nations had no boundaries or restrictions on membership. Progress was occurring in francophone countries and their views should be taken into account by international organizations. Furthermore, those countries were of the opinion that the review of developments in other countries was useful.

8. Regarding the discussion of recent developments in accounting for intangible assets, a number of experts suggested modifications to make the text more precise. In particular, it would be helpful to distinguish among the accounting treatment for goodwill arising from business combinations and for other types of intangible assets. It was agreed to amend the text.